

MARION COUNTY SPECIAL EDUCATION COOPERATIVE

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

June 30, 2015

MARION COUNTY SPECIAL EDUCATION COOPERATIVE

FINANCIAL STATEMENTS
Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marion County Special Education Cooperative
Marion, Kansas

Report on Financial Statements

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Marion County Special Education Cooperative as of and for the year ended June 30, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note C to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note C of the financial statement, the financial statement is prepared by Marion County Special Education Cooperative to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Marion County Special Education Cooperative as of June 30, 2015, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Marion County Special Education Cooperative as of June 30, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditure-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of regulatory basis receipts and expenditures-agency funds, (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by U.S. *Office of Management and Budget Circular A-133 Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.

Prior Year Comparative

The 2014 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2015 basic financial statement upon which we have rendered an unmodified opinion dated December 14, 2015. The 2014 basic financial statement and our accompanying report are not presented herein, but available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2014 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used into prepare the 2014 basic financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2015 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 comparative information is fairly stated in all material respects in relation to the 2015 basic financial statement as a whole, on the basis of accounting described in Note C.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of Marion County Special Education Cooperative of Marion County's internal control over financial reporting and on out tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marion County Special Education Cooperative of Marion County's internal control over financial reporting and compliance.

Agler & Gaeddert, Chartered

Agler & Gaeddert, Chartered

December 14, 2015

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Marion County Special Education Cooperative

**SUMMARY OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended June 30, 2015**

	<u>Unencumbered Cash Balance July 1, 2014</u>	<u>Prior Year Cancelled Encumbrances</u>
Governmental type funds		
General funds		
General	\$ 698,054	\$ 4,183
Special revenue funds		
Title VI-B Early Childhood Pass Through	4,999	0
Title VI-B Pass Through	0	0
Infant Toddler Grant, Part C	0	0
Targeted Improvement Plan	0	0
	<u>\$ 703,053</u>	<u>\$ 4,183</u>

The accompanying notes are and integral part of this financial statement.

Statement 1

<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Unencumbered Cash Balance June 30, 2015</u>	<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Cash Balance June 30, 2015</u>
\$ 3,871,507	\$ 3,950,271	\$ 623,473	\$ 21,134	\$ 644,607
16,927	16,926	5,000	0	5,000
462,686	462,444	242	0	242
25,443	25,443	0	0	0
<u>26,637</u>	<u>26,637</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 4,403,200</u>	<u>\$ 4,481,721</u>	<u>\$ 628,715</u>	<u>\$ 21,134</u>	<u>\$ 649,849</u>

Composition of ending cash**Balances on deposit****Money Market Checking**

Cottonwood Valley Bank

\$ 649,349

Petty Cash Checking

Cottonwood Valley Bank

500\$ 649,849

The accompanying notes are and integral part of this financial statement.

Marion County Special Education Cooperative

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A. MUNICIPAL REPORTING ENTITY

Marion County Special Education Cooperative of Marion is a municipal corporation governed by an elected five member board, representing each participating district of the inter-local. This financial statement presents the Marion County Special Education Cooperative (the municipality). The Cooperative has no component units.

NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the Cooperative are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Cooperative potential could have the following types of funds.

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds - used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

NOTE C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America - The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

Marion County Special Education Cooperative of Marion, Kansas has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

NOTE D. BUDGETARY INFORMATION

The budget for the Cooperative is submitted to and becomes part of the budget for participating school districts in the Cooperative. All statutory requirements for the publication, public hearings, and adoption of the final budget are accomplished for the Cooperative as part of the budgeting process of the school districts. The Cooperative interlocal is exempt from the budget law (K.S.A. 79-2935). However, the Cooperative does prepare an internal budget which is presented within these financial statements.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the following special purpose funds:

Title VI-B Early Childhood pass through
Infant Toddler Grant, Part C

Title VI-B pass through
Targeted Improvement Plan

Marion County Special Education Cooperative

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D. BUDGETARY INFORMATION – continued

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board.

NOTE E. DEPOSITS AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires banks to pledge securities for deposits in excess of FDIC coverage. The Cooperative has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Cooperative's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Cooperative has no investment policy that would further limit its investment choices.

Concentration of credit risk - State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Cooperative has no investments other than money markets and certificates of deposit.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. Deposits were legally secured at June 30, 2015.

At June 30, 2015 the Cooperative's carrying amount of deposits including cash on hand was \$649,849 and the bank balance was \$893,172. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$643,172 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

NOTE F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post Employment Benefits: As provided by K.S.A. 12-5040, the Cooperative allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retiree's health insurance plan because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Cooperative makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences: The Cooperative's policy is to recognize the costs of compensated absences when actually paid. Sick leave is earned at the rate of 12 days per year up to a total accumulation of 75 days for certified employees. Employees are allowed four days of personal leave each year, and any unused leave will be added to sick leave days at the end of the school year. Certified employees shall be paid \$25 per day for each day of unused sick leave in excess of 75 days on completion of their annual contract. Such pay shall be limited to a maximum of 16 days. \$6,125 was paid to certified employees for excess accumulated sick leave at year end.

Marion County Special Education Cooperative

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS – continued

Sick leave is earned at the rate of 12 days per year up to a total accumulation of 75 days for 12 month classified employees. Paras professionals are not 12 month employees and receive 10 days per year. Unused sick leave is not paid out for classified employees until retirement. For the year ended June 30, 2015 the board approved the payout of unused sick leave for classified employees retiring as of June 30, 2015 at the rate of \$25 per day. \$3,175 was paid to retiring classified employees who left the cooperative during the fiscal year.

Additionally, the Cooperative has established an illness and disability pool for certified employees to which employees may donate sick leave to be used by other eligible employees. The illness and disability pool shall accumulate days to a maximum of 250 days.

As of June 30, 2015, the estimated amount of liability for the vested portion of unused sick leave and accumulated vacation leave has not been calculated. Unpaid vacation and sick pay amounts are not accrued in the accompanying financial statements.

NOTE G. PENSION PLANS

Plan description. The Cooperative participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-257-5737.

Funding policy – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is Tier 1 or Tier 2 member. The Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 5% of covered salary for Tier 1 members through January 1, 2015 and 6% thereafter and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employers share.

NOTE H. RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Cooperative carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

NOTE I. OTHER INFORMATION

Reimbursed Expenses: The Cooperative records reimbursable expenditures in the fund that makes the disbursement and records reimbursement as revenue in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

Contingencies: The Cooperative receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the Cooperative at June 30, 2015.

Marion County Special Education Cooperative

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE I. OTHER INFORMATION – continued

Flexible Benefit Plan (I.R.C. Section 125): The Board adopted by resolution a salary-reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All employees of the Cooperative are eligible to participate in the Plan beginning the first day of their employment. Each participant may elect to reduce his or her salary by an elected amount per month to purchase benefits offered through the Plan. In addition, the Cooperative contributes \$375 per month to the fringe benefit package for health insurance for full time staff covered by the negotiated agreement, \$381 per month for certified staff not covered by the negotiated agreement, and \$400 per month for the director.

As part of the plan, the Cooperative also provides for retirees to remain a part of the existing healthcare group plan. The plan is contributory, with participant's contributions covering 100% of the cost of the healthcare coverage.

Kansas Statute Violations: Management is not aware of any statute violations.

NOTE J. SUBSEQUENT EVENTS

The entity evaluated subsequent events through December 14, 2015, the date the financial statement were available to be issued. No subsequent events were identified which require disclosure.

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SUPPLEMENTARY INFORMATION

Marion County Special Education Cooperative

Schedule 1

**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
(Budgeted Funds Only)
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
Governmental type funds			
General funds			
General	\$ 3,951,424	\$ 3,950,271	\$ (1,153)

See Independent Auditor's Report.

Marion County Special Education Cooperative

Schedule 2 - A

GENERAL FUND

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

For the Year Ended June 30, 2015

(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)

	2014 Actual	2015		Variance Over (Under)
		Actual	Budget	
Cash receipts				
Local sources				
District assessments	\$ 1,135,552	\$ 1,215,002	\$ 1,135,552	\$ 79,450
Other				
Interest	406	385	500	(115)
Miscellaneous	14,257	19,760	65,000	(45,240)
State sources				
Special education aid	2,517,605	2,506,976	2,480,280	26,696
Federal sources				
Medicaid	158,034	129,384	115,000	14,384
Aid Regular	0	0	531,450	(531,450)
Other aid	0	0	65,600	(65,600)
Total cash receipts	<u>3,825,854</u>	<u>3,871,507</u>	<u>\$ 4,393,382</u>	<u>\$ (521,875)</u>
Expenditures				
Instruction				
Salaries				
Certified	1,278,941	1,200,504	\$ 1,050,200	\$ 150,304
Non-certified	1,183,616	1,250,022	1,234,505	15,517
Employee benefits				
Insurance	234,074	237,997	161,387	76,610
Social security	257,650	266,562	210,500	56,062
Other	35,024	40,110	12,650	27,460
Purchased professional and technical services	27,076	24,951	21,000	3,951
Other purchased services	70,701	69,784	58,000	11,784
Supplies	19,588	20,159	17,550	2,609
Property	19,496	16,282	13,250	3,032
Other	2,224	2,194	2,700	(506)
Student support services				
Salaries				
Certified	347,887	398,391	599,000	(200,609)
Noncertified	0	0	21,000	(21,000)
Employee Benefit				
Insurance	0	0	49,992	(49,992)
Social Security	0	0	48,450	(48,450)
Other	0	0	2,900	(2,900)
Purchased professional and technical services	9,292	9,225	18,500	(9,275)
Supplies	2,517	36,331	3,700	32,631
Property	2,123	2,598	1,070	1,528
Instructional support staff				
Salaries				
Certified	24,990	18,706	16,000	2,706
Employee benefits				
Insurance	0	0	5,196	(5,196)
Social security	0	0	1,225	(1,225)
Other	0	0	100	(100)
Purchased professional and technical services	0	0	3,500	(3,500)
Other purchased services	0	31	7,000	(6,969)
Supplies	7,901	10,538	0	10,538

See Independent Auditor's Report.

Marion County Special Education Cooperative

Schedule 2 - A

GENERAL FUND

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended June 30, 2015

REGULATORY BASIS

(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)

		2015		Variance Over (Under)
	2014 Actual	Actual	Budget	
Expenditures - continued				
General administration				
Salaries				
Certified	\$ 89,200	\$ 89,700	\$ 89,700	\$ 0
Non-certified	93,967	106,430	101,250	5,180
Employee Benefit				
Insurance	0	0	10,680	(10,680)
Social Security	0	0	14,600	(14,600)
Other	0	0	900	(900)
Purchased professional and technical services	16,230	10,467	21,700	(11,233)
Other purchased services	22,260	28,622	22,975	5,647
Supplies	32,819	32,264	26,100	6,164
Property	0	0	700	(700)
Other	1,561	382	3,500	(3,118)
Operations and maintenance				
Salaries				
Non-certified	18,565	15,695	16,250	(555)
Employee benefits				
Social Security	0	0	1,250	(1,250)
Other	0	0	750	(750)
Purchased property services				
Cleaning	1,038	811	1,000	(189)
Repairs and maintenance	45,237	20,818	30,000	(9,182)
Supplies	1,898	2,163	2,000	163
Student transportation services - supervision				
Salaries				
Non-certified	30,641	35,254	10,000	25,254
Employee benefits				
Other	0	0	800	(800)
Vehicle service and maintenance				
Purchased property services	1,054	660	1,000	(340)
Other student transportation services				
Other purchased services	1,361	5	1,500	(1,495)
Supplies	440	2,175	500	1,675
Other supplemental services				
Other	415	440	750	(310)
Legal general fund budget and expenditures	3,879,786	3,950,271	3,917,280	32,991
Adjustments for qualifying budget credits	0	0	34,144	(34,144)
Total expenditures	<u>3,879,786</u>	<u>3,950,271</u>	<u>\$ 3,951,424</u>	<u>\$ (1,153)</u>
Receipts over (under) expenditures	(53,932)	(78,764)		
Unencumbered cash, July 1	748,130	698,054		
Prior year cancelled encumbrances	<u>3,856</u>	<u>4,183</u>		
Unencumbered cash, June 30	<u>\$ 698,054</u>	<u>\$ 623,473</u>		

See Independent Auditor's Report.

Marion County Special Education Cooperative**Schedule 2 -B****SPECIAL PURPOSE FUNDS
TITLE VI-B EARLY CHILDHOOD PASS THROUGH****STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended June 30, 2015
(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)**

	<u>2014 Actual</u>	<u>2015 Actual</u>
Cash receipts		
Federal sources		
Grants	\$ <u>16,930</u>	\$ <u>16,927</u>
Expenditures		
Instruction		
Salaries		
Certified	<u>16,930</u>	<u>16,926</u>
Receipts over (under) expenditures	0	1
Unencumbered cash, July 1	<u>4,999</u>	<u>4,999</u>
Unencumbered cash, June 30	\$ <u><u>4,999</u></u>	\$ <u><u>5,000</u></u>

See Independent Auditor's Report.

Marion County Special Education Cooperative**Schedule 2 - C****SPECIAL PURPOSE FUNDS
TITLE VI-B PASS THROUGH****STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended June 30, 2015
(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)**

	<u>2014 Actual</u>	<u>2015 Actual</u>
Cash receipts		
Federal sources		
Grants	\$ <u>468,046</u>	\$ <u>462,686</u>
Expenditures		
Instruction		
Salaries		
Certified	<u>468,046</u>	<u>462,444</u>
Receipts over (under) expenditures	0	242
Unencumbered cash, July 1	<u>0</u>	<u>0</u>
Unencumbered cash, June 30	\$ <u><u>0</u></u>	\$ <u><u>242</u></u>

See Independent Auditor's Report.

Marion County Special Education Cooperative

Schedule 2 -D

SPECIAL PURPOSE FUNDS
INFANT TODDLER GRANT, PART C

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended June 30, 2015
(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)

	<u>2014 Actual</u>	<u>2015 Actual</u>
Cash receipts		
Federal sources		
Grants	\$ 7,207	\$ 9,757
State sources		
Grants	<u>20,293</u>	<u>15,686</u>
Total receipts	27,500	25,443
Expenditures		
Instruction		
Salaries		
Certified	<u>27,500</u>	<u>25,443</u>
Total expenditures	27,500	25,443
Receipts over (under) expenditures	0	0
Unencumbered cash, July 1	<u>0</u>	<u>0</u>
Unencumbered cash, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See Independent Auditor's Report.

Marion County Special Education Cooperative

Schedule 2 - E

SPECIAL PURPOSE FUNDS
TARGETED IMPROVEMENT PLAN

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended June 30, 2015
(With Comparative Actual Totals for the Prior Year Ended June 30, 2014)

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Cash receipts		
Federal sources		
Grants	\$ 26,637	\$ 26,637
Expenditures		
Instruction		
Salaries		
Certified	8,210	6,183
Instructional support staff		
Purchased professional and technical services	9,861	10,274
Other purchased services	<u>8,566</u>	<u>10,180</u>
Total expenditures	<u>26,637</u>	<u>26,637</u>
Receipts over (under) expenditures	0	0
Unencumbered cash (deficit), July 1	<u>0</u>	<u>0</u>
Unencumbered cash, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See Independent Auditor's Report.

Marion County Special Education Cooperative

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REGULATORY BASIS
For the Year Ended June 30, 2015**

Federal Grant Pass through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Revenues	Expenditures
<u>U.S. Department of Education</u>				
<u>Pass Through State Department of Education</u>				
Title VI-B	84.027	N/A	\$ 462,686	\$ 462,686
Title VI-B Targeted	84.027A	N/A	26,637	26,637
Education of Handicapped Children	84.173	N/A	<u>16,927</u>	<u>16,927</u>
			506,250	506,250
<u>U.S. Department of Education</u>				
<u>Pass Through State Department of Health and Environment</u>				
Grants for Infants and Families with Disabilities	84.181a	N/A	<u>25,443</u>	<u>25,443</u>
Total U.S. Department of Education			<u>\$ 531,693</u>	<u>\$ 531,693</u>

See Independent Auditor's Report.

Marion County Special Education Cooperative

NOTES TO SCHEDULE OF FEDERAL AWARDS

June 30, 2015

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Marion County Special Education Cooperative under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a select portion of the operations of Marion County Special Education Cooperative, it is not intended to and does not present the summary of receipts, expenditures and unencumbered cash of Marion County Special Education Cooperative.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule of Expenditures of Federal Awards are reported based upon the Kansas Municipal Audit and Accounting Guide.

NOTE C. SUBRECIPIENTS

Marion County Special Education Cooperative did not provide federal awards to any sub-recipient for the year ended June 30, 2015.

SPECIAL REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board Members
Marion County Special Education Cooperative
Marion, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in government Auditing Standards issued by the Comptroller General of the United States, the financial statement of Marion County Special Education Cooperative as of and for the year ended June 30, 2015, and the related notes to the financial statements, which comprise the District's regulatory basis financial statements, and have issued our report thereon dated December 14, 2015. The District prepares its financial statements on a regulatory basis of accounting which demonstrates compliance with *Kansas Municipal Audit and Accounting Guide*, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Agler & Gaeddert, Chartered

December 14, 2015
Ottawa, Kansas



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board Members
Marion County Special Education Cooperative
Marion, Kansas

Report on Compliance for Each Major Federal Program

We have audited Marion County Special Education Cooperative's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each Major Federal Program

In our opinion, the District complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based upon requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Apler & Gaeddert, Chartered

December 14, 2015
Ottawa, Kansas

Marion County Special Education Cooperative

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
REGULATORY BASIS
For the Year Ended June 30, 2015**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report issued on financial statements: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency (ies) identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted? N/A

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance
with Circular A-133 paragraph 510(a): No

Identification of major programs:

<u>Programs</u>	<u>CFDA#</u>	<u>Expenditures</u>
Title VI-B	84.027	\$ 462,686
Title VI-B Targeted	84.027A	26,637
Education of Handicapped Children	84.173	16,927

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? Yes